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india

small scale industries in perspective

TWENTY FIFTH ANNIVERSARY OF INDEPENDENCE

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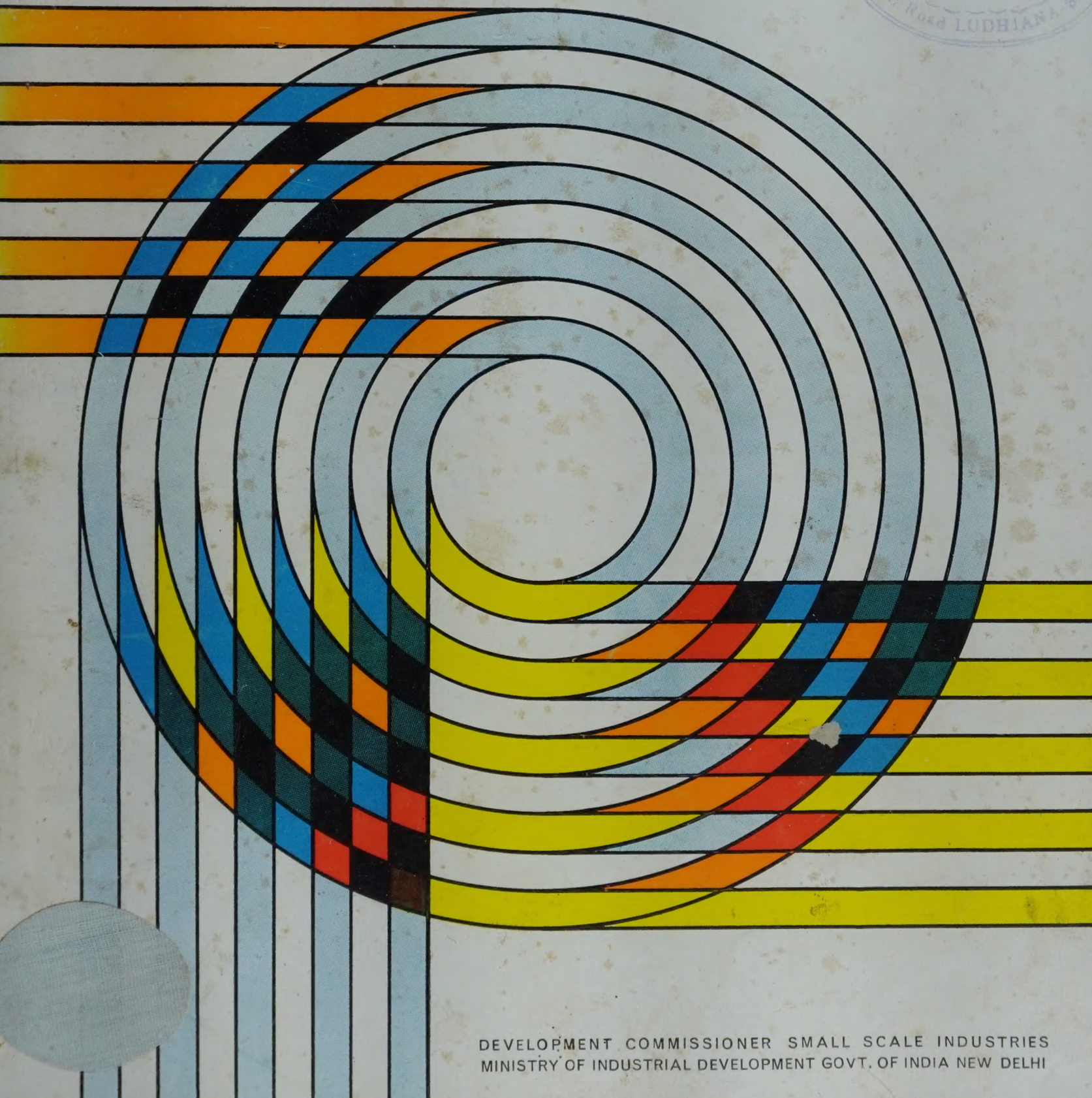

DEVELOPMENT COMMISSIONER SMALL SCALE INDUSTRIES
MINISTRY OF INDUSTRIAL DEVELOPMENT GOVT. OF INDIA NEW DELHI

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Foreword

The growth of small scale industries in India, particularly during the last decade and a half, presents a fascinating picture in the context of planned industrial development. In India, a small industry is defined as a manufacturing unit having capital investment in plant & machinery not exceeding Rs. 0.75 million. With the pattern of manufacturing becoming more and more complex, small scale industries have availed of all possible opportunities for specialisation, in many important product lines. These industries are in the process of helping the economy to achieve a 'take off' by generating output, employment and mobilisation of resources as well as by formation of skill and capital. The development of small scale industries synchronises with the overall programme of industrialisation that has been embarked upon in India. The role played by the small scale industries in realising the objectives of expanded employment, larger production and more equitable distribution of wealth, has disapproved the traditional belief that industrialisation can be achieved only through development of large enterprises.

Small scale industries have provided special dimensions to the programme of Industrialisation by reducing regional imbalances, creating employment for the unemployed and under-employed persons and distributing income and economic power more equally. Not only this, the development of small industries has also facilitated effective mobilisation of resources. capital and skill, particularly, in the countryside, which would otherwise have remained unutilised.

In India, small scale industries have stimulated economic activity of a far-reaching magnitude and created a sense of confidence among the large number of entrepreneurs about their vitality and viability. In addition, small scale industries have established themselves very closely with the measures designed to overcome some of the beaffling socio-economic problems facing Indian economy. It is in this that the latent talent of entrepreneurs provided self-expression in localised innovation and cost saving measures. Small scale industries did attempt to provide a nucleus for decentralised pattern of industrial development. While reducing local or regional unemployment and rural under-employment, these industries have also been instrumental in distributing income and economic power more equally among people and more evenly among the regions thereby contributing to the emergence of an economically sound and regionally planned democratic society.

In this brochure, an effort has been made to give the reader basic information on various aspects of small industry development. It is hoped that it will be found useful by small industrialists, prospective entrepreneurs, small industry development administrators and all those interested in the development of small scale industries in developing economies.

K. L. Nanjappa

NEW DELHI,
3rd November, 1972

(K.L. NANJAPPA)
Development Commissioner,
Small Scale Industries.

Some Quantitative Indicators of Small Industry Development

1

A positive programme for the development of small scale Industries in India was drawn up on the recommendation of the Ford Foundation Team which visited India in 1953-54. The Small Scale Industries Board was constituted towards the end of the year 1954 and the Office of the Development Commissioner, Small Scele Industries (SSIDO) came into existence simultaneously. Thanks to the various measures of assistance since taken by the Government, the small scale industries have developed very rapidly. Not only the units have multiplied in the conventional lines but they have also taken to more sophisticated fields of production and thereby established their competence to manufacture items requiring high degree of precision and skill. Their contribution to the total production and employment, their competence to strengthen defence potentials of the country as also their success in manufacturing items which were mostly imported till recently are clear testimony to the vigour, vitality, self-reliance, adaptability and capability of the modern small industries sector which has made a positive mark in the recent years.

In India, there has been steady growth in the number of small scale industries registered with the State Directors of Industries. Over a decade, there has been about eight fold increase in the number of small scale units—from 36,000 in 1961 to 2,81,781 in 1971. This figure is exclusive of the unregistered units which have either not approached for registration or do not want registration as it is not obligatory on their part to do so. The number of such units will not be less than those already registered with the State Directors of Industries. Over a period of 10 years from 1960-61 to 1970-71 the number of industrial cooperatives increased from 37,000 to about 48,000. Modern machinery worth Rs. 107 million were supplied by the National Small Industries Corporation on hire purchase terms to small scale industries during 1970-71 as compared to Rs. 45 million in 1968-69. The value of purchases affected by the Central Government Departments through the NSIC increased from Rs. 300 million in 1968-69 to about 544 million during 1970-71. Small scale industries are estimated to have employed about 3.3 million workers in 1970. Their fixed investment during the same year was estimated at Rs. 4,750 million and their output was placed at Rs. 40,500 million.

The contribution of small scale industries among factories employing 50 or more persons with the aid of power and 100 or more workers without power has also been significant. As per result of the Annual Survey of Industries, the number of small scale industries with fixed investment of less than Rs. 0.5 million was 33,500 which accounted for 91 per cent of the total registered factories, about 2.98 million workers were employed in them accounting for 39.6 per cent of the total registered factory employment. Over 10.2 per cent of the total fixed capital of all factories was invested in small scale industries and they contributed 29.7 per cent to the gross output. In the factories sector alone, the total employment generated by small scale industries increased from 1.39 million in 1961 to 1.89 million in 1969-70, registering an increase of about 41 per cent. It has been estimated that foreign exchange saving to an extent of Rs. 100 million per annum has been affected by small scale industries through import substitution. The contribution of small scale industries in exports is also on the increase. It has been estimated that during 1969-70, goods worth Rs. 320 million were exported by small scale sector alone. This works out to 5 per cent of the non-traditional export of manufactured goods. The State Trading Corporation of India is estimated to have handled about Rs. 370 million of direct and indirect export from small scale industries annually. A survey conducted by the National Council of Applied & Economic Research also revealed that small scale industries were responsible for 80 per cent of the total exports by industries like bicycles & components, electrical utensils, etc. There has been a notable progress in the sphere of ancillary relationship between large scale and small scale industries in certain selected fields. During the years 1967-68 and 1969-70, orders worth Rs. 554 million were secured from large-scale units alone. The number of small scale units currently making ancillary supplies to large-scale units is estimated at 1,000 and their production at Rs. 330 million per annum.

The programme of industrial estates has contributed a great deal to the promotion of small scale industries all over the country. By the end of March 1971 about 572 industrial estates had been completed in which about 10.317 sheds had been occupied. The small scale units set up in these estates provided employment to one lakh persons and their annual output amounted to Rs. 1540 million. The area of operation of 49 rural industries projects selected for intensive industrialisation cover over 34,073 villages. In the year 1971-72 5 new projects have been sanctioned and another 50 projects are likely to be taken up during the course of Fifth Five Year Plan (1974—79). Till March 1971 13,877 small scale units started functioning in these areas. These units produced goods worth Rs. 264 million and provided employment to about 1,33,300 persons. The growth in employment during the year 1970-71 has been of the order of

14.6 per cent over the preceding year. The total investment in the industries covered under the rural industries projects programme increased at the rate of 11.3 per cent from Rs. 167 million in 1969 to Rs. 188 million in 1970-71. By the end of 1970-71, about 30, 131, small scale industries were financed from the project nucleus funds. The State Bank of India through its normal and special financing schemes assisted 7,114 small scale units by providing them credit totalling Rs. 47.5 million upto March 1971.

In regard to the financial accommodation, the total advances of commercial banks to small scale units raised from Rs. 2,856 million (outstanding) in June 1969 to Rs. 5,072 million at the end of September 1971. Likewise, the number of units assisted financially by the banks increased from 38,927 in June 1968 to 1,14,497 at the end of September 1971. Besides, the State Financial Corporations also assisted 13,367 units with limits aggregating to Rs. 1,154 million.

Allocation of scarce indigenous raw materials made to small scale sector from time to time has also been progressively increasing. For the import of raw materials, industries in the small scale sector were granted licences amounting to Rs. 1,180 million in 1971-72 as against Rs.833 million in 1970-71. The share of small scale sector out of the total commercial imports in the country came to about 6 per cent during 1971-72. It has been estimated that more than 75 per cent of registered small scale units at present in India carry on their production activities by procuring raw materials from the indigenous sources.

Institutional Arrangements at the Centre Level

2

The development of small scale industries is primarily the responsibility of the State Governments. The Government of India have, however, set up two organisations to supplement the efforts of the State Governments for assisting small entrepreneurs. One of these is the Office of the Development Commissioner, Small Scale Industries (SSIDO) in the Ministry of Industrial Development and the other is an autonomous body named the National Small Industries Corporation Ltd.

Small Scale Industries Development Organisation

For promotion of small industries in the country the SSIDO imparts Industrial Extension Service. This is a direct service to small scale industries and functions through a network of Small Industries Service Institutes, Branch Small Industries Service Institutes, Extension Centres and Training Centres set up at all the important trading and manufacturing centres. The important functions of the Industrial Extension Service are :

1. Advising prospective entrepreneurs on setting up new small scale enterprises, choice of machinery, design, fabrication, layout, installation and operation of machines.

2. Conducting economic surveys in particular industries and areas. and making concrete recommendations for a development programme.

3. Advising small units on improved technical processes and use of modern machinery and equipment.

4. Demonstrating the use of modern technical processes through workshops in Extension Service Centres and also small mobile workshops mounted on trucks.

5. Undertaking distribution aid surveys with a view to assisting small manufacturers in determining major distribution centres for their products, establishing contacts with important wholesale and retail dealers and obtaining dealers' and consumers' reaction to price, quality, design, etc. of products.

6. Acting as an Information Centre, including the publications, model schemes and answering inquiries for economic and commercial information.

7. Training small industrialists in proper methods of business management, including marketing, financial accounting, cost accounting, factory legislation, personel relations etc.

8. Carrying on research on questions like proper use of raw materials, improved designs of machinery, conducting special studies on different economic aspects of small industries development etc.

9. Conducting training classes in technical and management subjects for the benefit of small industrialists and artisans.

For manning these services the Small Scale Industries Development Organisation employs all over the country about 800 Industrial Extension Officers of different grades in various engineering trades, economic investigation and management. The quantum of service rendered through the Industrial Extension Service during the last 12—15 years may be briefly mentioned. During this period about 640,000 times parties were given advice on technical matters, nearly 290,000 times parties were given advice on new industries that could be started by them, about 660,000 visits were paid by the Technical Officers of the Small Scale Industries Development Organisation to small scale factories. Over 3,000 product designs and drawings as also scale models including dummies have been prepared apart from the supply of about 11,000 blue-prints and designs to small scale enterprises. Nearly 230,000 economic enquiries relating to the small scale enterprises have been made by this Organisation. More than 500 model schemes presenting industry profiles have been prepared. Nearly 20,000 small industrialists and their managerial personnel attended the management training courses while over 23,000 workers availed themselves of the technical facilities.

National Small Industries Corporation

Another Central Organisation, the National Small Industries Corporation, a Government of India undertaking, was set up in 1955, mainly with the objective of supplying machinery and equipment to small enterprises on a hire-purchase basis and assisting them in procuring Government orders for supplying various items of stores.

Formerly, the Corporation had four subsidiary Corporations at Delhi, Bombay, Calcutta and Madras. However, since 1961, all the subsidiary corporations have been amalgamated with the main Corporation and three Branch Offices have been set up at Bombay, Calcutta and Madras. The Delhi subsidiary corporation has been merged with the main Corporation and its work is being looked after by a separate Delhi Cell set up in the main Corporation. The main functions of the National Small Industries Corporation are as under :—

(i) Providing small scale industries with modern machines on hire-purchase basis ;

(ii) Assisting small enterprises to participate in the Stores Purchase Programme of the Central Government ;

(iii) Developing small scale industries as ancillary units to large scale industries ;

(iv) Arranging marketing of small industries products by starting Emporia and Sales Depots and promoting their export ;

(v) Distribution of basic raw materials through their raw material depots ;

(vi) Import and distribution of components and parts to actual small scale users in specific industries ;

(vii) Construction of industrial estates and the establishment and running of proto-type production-cum-training centres.

Registration of Small Industries

3

Small scale units are not expected to seek any licence either from the Central Government or the State Government for setting up of small units in any part of the country. There is, however, a system of voluntary registration of small scale units by the State Directors of Industries. This registration helps them in obtaining financial assistance from the Department of the Industries under the State Aid of Industries Act, medium and long term loans from State Financial Corporations and the State Bank of India, machinery on hire purchase from the National Small Industries Corporation, etc. Besides, such registered small scale units can get assistance in obtaining controlled and imported raw materials, electric power, accommodation in industrial estates, training facilities for their workers in different training institutes, etc.

Procedure

The procedure for registration is very simple. Application forms for registration are available with all the Local Industries Officers (District Industries Officers). The small scale units are required to fill in the required information in this application and send the same in duplicate to the Director of Industries of their State through the local officers. The small scale units are then given a registration number which is mentioned by them while seeking certrain facilities or assistance from the State or Central Government.

The Officers of the Small Industries Service Institutes advise these units on the scope of the industry which they intend to set up. These Institutes have a fund of useful information regarding the present position and the future prospects of various industries.

Besides, in the case of small scale units which require scarce indigenous raw materials, imported raw materials and components for use in the manufacture of their products, prior consultation with the concerned State Drirectors of Industries helps them in ascertaining the state of availability of the imported or scarce indigenous raw materials.

Financial Assistance

4

Non-availabitity of credit on easy terms has been one of the major handicaps of small-scale industries in India. The government and the financing institutions have introduced various schemes to assist the small-scale industries in obtaining credit facilities. Loans on liberalised terms to small-scale industrial units, including industrial cooperatives, are available from State Financial Corporations or Cooperative Banks. The State Bank of India provides credit facilities for working capital etc. A scheme of guaranteeing commercial banks' loans to small-scale industrial units is being operated by the Reserve Bank of India,

Loans by State Governments

The terms on which loans are normally granted to small-scale units under the State Aid to Industries Act by the State Directors of Industries or other officers are :

(i) Loans upto Rs. 1,000 advanced on personal bonds.

(ii) Loans upto Rs. 5,000 against two personal sureties.

(iii) Loans above Rs. 5.000 and other loans against security or mortage at 75 per cent of the security offered which may include land, buildings, machinery, equipment, stocks and other assets, including those created out of the loans.

Rats of Interest—The rate of interest has been kept considerably low at $2\frac{1}{2}$ per cent for loans up to Rs. 2 lakhs andvanced to industrial cooperatives and 3 per cent for loans up to Rs. 25,000 advanced to parties other than industrial cooperatives. In fact the rate varies from State to State—between $2\frac{1}{2}\%$ and 7%.

Payments can be spread over a period of 10 years and may be made in easy instalments.

In many States, powers have been delegated to the District industries Officers or District Magistrates for distributing loans up to Rs. 2,000.

To help industrial cooperative societies for bulilding up their resources, 75 per cent of the share capital is offered by the Centre as a two-year loan, the balance to be obtained from the State government and/or the party concerned.

Members of industrial cooperatives can obtain loans at $3\frac{1}{2}\%$ interest for the purchase of shares of their cooperatives.

The State Government in Andhra Pradesh, Assam, Gujarat, Haryana, Kerala, Maharashtra, Orissa, Punjab, Rajasthan and Uttar Pradesh have also entered into an agreement with the State Financial Corporations under which the Corporations act as agent of the State governments for routing a portion of the government funds to small industries. Under this agency-cum-guarantee arrangement, the State government authorises the Corporation to disburse loans to small scale industries from its own sources. Each loan sanctioned by the Corporation is guaranteed by the State Government. The difference between the lending rate of the Corporation and the rate of interest charged by it in each case is worked out and is reimbursed by the State government. This amount is treated as income of the Corporation and is taxed accordingly. The agency-cum-guarantee arrangement is however, worked differently in different States. In Uttar Pradesh, the Corporation handles loans between Rs. 15,000 and Rs. 50,000. The Financial Corporation in Maharashtra is authorised to handle loans to parties other than industrial cooperatives between Rs. 20,000 and Rs. 75,000 (and up to Rs. 1 lakh in special cases). The Andhra Pradesh State Financial Corporation handles the recovery and disbursement of all loans sanctioned by the State Government. In Punjab, the limits are between Rs. 25,000 and Rs. 50,000. Till the end of September, 1969, loans to the extent of Rs. 12,16,18,000 were sanctioned (effective) by the Corporations of these States.

The procedure of advancing loans also differs from State to State. Details may, therefore, be obtained from the Director of Industries of the respective State.

State Financial Corporations

Under the State Financial Corporation Act, 1951, financial corporations have been established in the States with the object of providing medium and long term finance to medium and small-scale industries.

The State Financial Corporations advance medium and long term loans to small-scale industries out of their own funds, besides disbursing loans as agents of the State governments.

Most of the Corporations allow a rebate of half per cent for punctual repayments.

The Corporations also grant working capital loans in special cases upto 25 per cent of the total loans sanctioned.

Till 31st December, 1969, the Corporations had sanctioned 5,890 loans for a Total sum of Rs. 53.66 crores of which Rs. 27.03 crores had been actually advanced against the sanctions.

State Bank of India Scheme

The State Bank of India operates a scheme of coordinated credit assistance to small-scale industries. For the sake of convenience, the entire country has been divided into seven circles viz. Bengal, Madras, Bombay, Kanpur, Delhi, Admedabad and Hyderabad and in each circle, some centres have been selected for intensive working of the scheme.

The total number of such centres of the State Bank of India and its subsidiaries at the end of December, 1969, was 282.

Under the scheme, a small industrial unit need apply to only one agency for all its credit requirements instead of having to approach a number of agencies.

The borrower can apply to the Agent, State Bank of India or the Cooperative Bank if his industry is organised on a cooperative basis. The local office will receive and deal with the application and either dispose it off directly or foward it to the other appropriate agency/agencies all of which act as complementary to one another in actual operations.

The procedures have also been liberalised so that it is now possible for the bank to extend credit facilities to small-scale industries against pledge of raw materials and/or finished or semi-finished goods either under lock and Key or factory type basis. In appropriate cases, advances are made against goods in transit. Clean advances are also granted against guarantees of another suitable person.

The rate of interest charged by the State Bank of India is normally between $7\frac{3}{4}$ and 9 per cent per annum.

The State Bank of India also advances loans at all its branches under Credit Guarantee Scheme No. 2 of the National Small Industries Corporation. Any industrial unit which conforms to the definition of a small industry and is enlisted with the National Small Industries Corporation, can take advantage of this scheme. A salient feature of the scheme is that it meets the financial needs of small-scale units for executing government contracts covering all stages of production from purchase of raw materials to discounting of bills. The credit facilities can be obtained against supply orders secured from any Central Government or State Government agecies including public sector undertakings. The credit facility under the scheme covers the assistance to small units in the following forms. :—

(a) A loan from the State Bank of India for the purchase of raw material.

(b) A cash credit account i.e. payment of advance against pledge of raw material.

(c) Overdraft against raw material and components during the process of production.

(d) Advance against government bills duly presented to the bank alongwith inspection notes, railway receipt etc.

(e) Opening of letter of credit on behalf of the clients to pay to the supplier from whom the clients purchase raw material.

(f) Bank guarantee to the supplier of raw material against the purchases made by the manufacturing client or direct payment to the supplier of raw material.

Under the State Bank of India scheme, loans amounting to Rs. 276.91 crores had been sanctioned to small units as on 31st March, 1970 whereas the total outstanding was Rs. 152.23 crores. The total number of small-scale industrial units assisted was 36,935.

New Scheme of the State Bank of India

In addition to this, the State Bank of India and its subsidiaries operate another scheme for financing craftsman and other technically qualified entrepreneurs desirous of setting up small-scale industrial projects. Eligibility under this new scheme is linked to personal attributes like character and integrity, requisite know-how as well as managerial and technical ability and not to monetary standing only. Loans and advances are granted to eligible applicants for setting up projects in industrial estates as well as for running the units, after they commence production. Persons who already own a factory, wholly or partly, are not considered. At present, the scheme covers only such projects as require a total financial assistance of Rs. 2 lakhs or less. If, however, two technician entrepreneurs join together, the ceiling can be raised to Rs. 3 lakhs. Financial assistance may cover more than one type of financing: Instalment credit for the purchase of machinery/equipment for a period of 3—7 years by making a cash payment of 20—25 per cent of the cost of equipment ; Medium-term loan for a period of 3 to 10 years at the rate of 9% per annum for financing long-rerm working capital and the owner's equity and cash credit ; Demand loan for catering to the short-term working capital requirements. Generally speaking, the projects should conform to the bank's order of priorities under which defence and export-oriented industries, those resulting in saving of foreign exchange, consumer industries based on indigenous raw materials and industries which provide a basis for agricultural development and further industrialisation, are given preference. Up to the end of March, 1970, Rs. 334.96 lakhs had been sanctioned as loans under this scheme to 297 units.

Credit Guarantee Scheme of Reserve Bank of India

Normally, commercial banks and private lending agencies are the sources from which loans are available. However, with a view to encouraging banks and financial institutions to grant loans to small-scale industries the Government of India introduced a credit guarantee scheme from 1st July, 1960. The Reserve Bank of India was entrusted with the administration of the scheme as agent of the Government of India and was thus designated as the "Guarantee Organisation."

The object of the scheme is to enlarge the supply of institutional credit to small-scale units by ensuring a degree of protection to lending institutions against possible losses in respect of their advances. The scheme provides for sharing of such losses between the lending institution

and the Government of India, subject to the condition that the maximum amount recoverable against the guarantee issued under the scheme in respect of any one advance will not exceed Rs. 7.5 lakhs in the case of working capital limits and Rs. 10 lakhs in the case of term loans.

The scheme which covers the whole country, is placed on permanent basis.

Under the scheme, advancces made to small-scale units by selected credit institutions are eligible for the guarantee. The scheme includes 53 scheduled banks, the State Bank of India and its subsidiaries, 15 State Financial Corporations including the Madras Industrial Investment Corporation, 21 State cooperative banks, 8 non-scheduled banks and 358 Central cooperative banks.

Banks and credit institutions, other than those selected may also avail themselves of the guarantee facility in respect of advance granted by them, provided a selected credit institution participates in such advance to the extent of 25 per cent of the amount.

The advances eligible for the guarantee are those for acquiring fixed assets or equipment or for providing working capital. That the advance shall not be utilised for a purpose other than the one for which it is granted, is an essential condition of the guarantee.

The guarantee may be furnished in respect of advance repayable on demand or on the expiry of a fixed period not exceeding 10 years with the facility of paying the fee annually on the basis of the amount outstanding at the commencement of each successive year of the period of guarantee. In the case of advances sanctioned prior to July, 1960, the guarantee may be obtained for normal and bonafide renewal or an enhancement of the limit after that date if the past record of the advances has been satisfactory. In the case of advances other than term loans in cash credits, overdrafts etc., guarantees could be issued for a period of one or 2 years. This obviates the need for seeking guarantee for such advances every year.

With effect from February, 1970, a modified scheme was brought into force under which guarantee is made available to all eligible advances on automatic basis subject to each approved credit institution entering into an agreement with the guarantee organisation. Ninety-four approved credit institutions joined the modified scheme and entered into the requisite agreement with the guarantee organisation. The guarantee cover was raised upto 75% of the amount defaulted or the amount guaranteed, whichever is lower. The guarantee fee is charged from quarter to quarter instead of on yearly basis.

Under the scheme, 1,52,240 applications, amounting to Rs. 723.03 crores were received upto 31st December, 1969. Guarantee certificates in 1,38,265 cases, amounting to Rs. 648 crores were issued and 147 claims, amounting to Rs. 19.45 lakhs, were paid.

Availability of Scare Raw Materials

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SSIDO is continuing its endeavour for ensuring adequate and equitable procurement of industrial raw materials and foreign exchange for the small scale sector. In order to make the best use of the available resources, suitable policies and procedures for distribution of various raw materials are also formulated keeping in view the requirements of industries which command higher priority in the national economy. The foreign exchange position being tight, imports of certain items are allowed by the Government on a restricted scale. More emphasis is therefore being given to the development of industries depending upon freely available indigenous raw materials. Assistance is also rendered to existing enterprises in switching over from imported to indigenous raw material wherever technically and economically feasible.

Non-Scarce indigenous Materials

There are a largenumber of raw materials which are available within the country and are not in short supply. Small scale units depending on these raw materials are expected to make their own arrangement for procurement of the same through normal trade channels. In absence of any distribution control over these materials, the SSIDO do not come into picture.

Scarce indigenous controlled materials

There are certain categories of indigenously produced raw materials which are in scarce supply and whose distribution is done through the governmental agencies. Among the non-ferrous metals, items such as electrolitic grade aluminium, commercial grade aluminium, cadmium, antimony and zinc etc. belong to this category. The SSIDO procures these raw materials from the allocating authorities and distributes the same among the various State Directorate of Industries, keeping in view the requirements and total availability. The unitwise distribution is handled by the State Directorate of Industries in respect of units falling within their jurisdiction.

Indigenous Iron and Steel

As regards indigenous iron and steel items, under the revised steel distribution policy which was introduced in May, 1970, the system of making allocation of scarce categories like B.P. sheets, G.P. sheets etc. has been abolished. The distinction between the scarce and non-scarce categories of steel has also been done away with. All small scale units and State Small Industries Corporations are now required to place their indents for steel on Joint Plant Committee. After the indents of the SSI

Corporation/SSI Units are placed and sales orders issued by producers, the concerned SSI and SSI takes up the matter through its State Director of Industries with the Joint Plant Committee for allocation of priority for despatch of steel by the Joint Plant Committee against their sales orders. The Development Commissioner, Small Scale Industries is also represented on the Steel Priority Committee, among others. Due weightage is given by the Steel Priority Committee in respect of requirements routed through the State Small Industries Corporation.

As per procedure in vogue, all the priority allocations of steel in respect of small scale industries are be routed through the concerned State Small Industries Corporation. The States Small Industries Corporation would assess the demand item-wise for steel for small scale units for the respective States/Union territories and put up a consolidated indent on the producer(s) through the Joint Plant Committee for the purpose of planning. Actually, distribution of material procured by the State Small Industries Corporation against such indents would be further distributed among the allottees in accordance with the pattern decided by the Director of Industries of the State concerned. The new system does not involve direct indenting and planning on the producers by the individual small scale units. Further the SSI Corporation are not required to deposit any earnest money with the producers. This will prove advantageous to the small scale units which hitherto had to make provision for earnest money at the time of placing their indents with Joint Plant Committee.

Licensible Imported Materials

The supply of imported raw materials, components and spares to small scale industries is based on the Import Trade Control Policy in force from time to time. In accordance with the current import policy, existing units engaged in the 59 priority industries in the small scale sector have to make their import application for raw material and components end-product-wise by way of claiming replenishment of imported raw materials and components consumed by them within a given period. The applications are to be made on the basis of actual consumption for a period of not less than three months and not more than six months out of the licenses issued during the preceding period. Applications for licenses are entertained by the Import Trade Control Authority only if the unutilised portion of the outstanding license(s) in hand on the date of application is more than the CIF value of the consumption for the replenishment of which the import licence is claimed. No last date for submission of application has been prescribed and therefore a unit can apply for licence at any time, it fulfils the aforesaid eligibility requirements. The existing small scale units have to apply direct to the regional licensing authority concerned for issue of import license/release order as per their entitlement. In the case of existing small scale units other than those engaged in priority industries, the application for import of raw material, components etc. can

be made after utilising previous set of licenses issued to them. In their case, the import licences/release orders are issued only after they have utilised their previous licences to an extent of 90 per cent by way ofo pening of letter of credit or 60 per cent by way of actual importation of material or 70 per cent by shipment of the goods. Small scale units engaged in non-priority industries are eligible for only one import licence in a year after fulfilling one of the said conditions of utilisation of licences issued to them in the preceding year.

While the existing units are repuired to make their application direct to the regional licensing authority concerned for issue of licenses on repeat basis, the new units in the small scale sector engaged in priority as well as non-priority industries have to make a consolidated application for import of raw materials, components and spares through their respective sponsoring anthority. In the case of small scale units belonging to priority industries, the import policy for 1971-72 and 1972-73 provides that the value will be determined with regard to assessment of raw material requirement on single shift basis as done by a team representing the SSIDO and the State Directorates of Industries. The import entitlement of new small scale units engaged in non-priority industries continue to be determined on the basis of the value of machinery and equipment installed. As per provision under the import policy, new units in the non-priority industries are entitled to get to an extent of 30 per cent of the value of machinery and equipment installed subject to a maximum of Rs. 75,000. In the case of new units belonging to priority industries, the import policy from 1968-69 to 1970-71 laid down initial import entitlement to the extent of 100 per cent of the value of machines and equipment installed in the case of chemicals, drugs and medicines and pesticides formulations, 70 per cent in the case of the electronic components and 30 per cent in the case of the other priority industries subject to a maximum of Rs. 75,000. The facility of providing import entitlement on the basis of assessed capacity to new small scale units in priority industries can also be availed of by the existing priority units if they so desire. According to the provision envisaged for new small scale units in the priority industries who may like to have their import entitlement on the basis assessed capacity, application for import of raw materials, components and spares will, first of all, be examined by the Directorate of Industries of the State concerned, with due regard to the capacity assessed and recommended by the assessment team. On receipt of recommendation from the sponsoring authority, the licensing authority will further scrutinize such cases in its Special Committee in the light of the recommendation made by the sponsoring authority and the SSIDO and decide the value of import licence(s) to be issued to the unit concerned.

In so far as canalised items are concerned, the small scale units engaged in priority as well as non-priority industries are issued release orders by the regional licensing authority on the S.T.C., M.M.T.C., H.S.L. etc. for supply of raw material to them. The procedure in regard to fixation of import entitlement of new units engaged both in priority and non-priority industries is the same as that of non-canalised licensible imported raw materials.

Supply of Machinery on Hire Purchase

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A big boost to development of small industries took place when the National Small Industries Corporation introduced their hire purchase scheme. The idea of providing industrial finanace by way of supply of machinery on hire purchase was pioneered by the Corporation. The usual banking approach prevailing then, namely, advancing loans against substantial security was completed discarded by the Corporation. The scheme aimed at helping such units who did not have any security to pledge but had the talent to promote and run an industry. Further, the terms of the scheme were made out in such a way that with average efficiency, a small industrialist should be able to pay back the Corporation's dues and also make a reasonable living from the industry. In fact, the Corporation's interest rate remains to be the lowest for this kind of financial assistance.

Under the scheme, the Corporation takes the responsibility for procuring the machines chosen by the hirers and supplies to them on hire purchase basis on very liberal terms. When the last instalment has been paid, the property in the machinery is transferred to the hirer who then becomes its owner.

The Corporation imports the required machinery under the foreign exchange allotted to it by the Government. Because of this, the hirers are saved of a lot of botheration involved in arranging foreign exchange themselves.

The scheme has been very popular in that so far machinery worth Rs. 60 crores has been taken by small industrialists on hire purchase basis. Over 12,000 small scale units located all over the country have availed of this scheme and have thus become entrepreneurs. It is estimated that out of the total institutional credit provided to small scale sector for the purchase of plant and machinery, the Corporation's share is about 30%. The assistance given by the Corporation has a snowball effect, in that, Banks and other financial institutions have come forward to help such units with working capital requirement, etc. thereby increasing the total investment of small industry. It is estimated that the units assisted by the Corporation account for a gross output of about Rs. 600 crores per year and given direct employment to about 40,000 persons.

The Corporation gives special priority to applications emanating from under developed regions and backward areas. Also special preference is given to units that have been set up for promoting export or for substituting imports.

Industrial Management & Technical Training

7

Recognising the importance of training in improving and upgrading the skills of workers and managerial personnel in the small-scale sector, the SSIDO has drawn up suitable programmes for various types of training. The quality of training is being continuously improved. The Syllabi, the duration, the method of training, etc. for the courses have been standardised. More than 15,000 persons have so far been trained in technical trades by the SISIs all over the country. Special efforts are being continuously made to adapt the training courses to suit the requirements of diiferent categories of small scale entrepreneurs and their employees and the programmes are arranged for varying periods depending upon the nature of the course and specific needs of different areas.

Training in industrial management is offered through the following courses:

(a) Management Appreciation Courses;
(b) Specialised Courses in such subjects as production management, marketing and financial management and cost accounting, and
(c) Ad hoc intensive courses on subjects like inspection and quality control, work study, export marketing, etc.

Appreciation Courses

The Appreciation Courses aim at giving a broad idea of the various aspects of management of proprietors and managers of small scale industrial units. The subjects covered include principles and practice of management, production management, productivity, financial and cost accounting, cost analysis, budgetary control, purchasing, store keeping and inventory control, distribution management, advertising and publicity, personnel management and important industrial laws.

Specialised Courses

The Specialised Courses are intended to give more coverage of the three basic fields of management, viz., production management, marketing and financial management and cost accounting to those who have already had the benefit of the appreciation course and have shown interest in implementing the basic tools and techiques imparted through these courses.

Ad Hoc Courses

The Ad hoc Courses on specific techniques like inspection, quality control, cost control, product development etc., are conducted as and when there is a demand for the course. The contents and duration of the courses etc. are drawn up to suit the requirements in each case.

Training in industrial management is also given to Officers engaged or likely to be engaged in managerial duties in workshops, common facility centres, transport units, small-scale units. etc. run by the State Governments. These courses are organised on an ad hoc basis, the syllabus being drawn up specially to suit the needs of the participating officers.

Technical Training

Regular and ad hoc technical training is being given by the small Industrles Service Institutes and Extension Centres to artisans, both skilled and semi-skilled as also to supervisory personnel of the small scale units with a view to improving their skill and capability to handle improved tools, etc, The various types of training imparted by the SSIDO are as under:

1. Shop practice courses which include machine shop practice, tool room practice, foundry practice, blacksmithy and forging shop practice, electrical shop practice and carpentry shop practice.
2. Trade oriented courses for tool maker, fitter, machinist, sheet metal worker and pattern maker.
3. Process oriented courses including heat treatment, electric and gas welding, tanning, fruit and vegetable preservation, electroplating and anodising,
4. Product oriented courses covering Footwear and allied products, Lens grinding, Paints, Varnishes, Glass Beads.
5. Blue Print reading courses.
6. Training in Thermometer manufacture and Scientific Glass blowing at Solan and Footwear Training at Madras and Agra.
7. Miscellaneous Courses, viz., training in Soap Manufacturing, Neon Signs, Scientific Glass Apparatus. Pottery, Seasoning and Glazing, Cosmetics, Metal Finishing, Furniture and Cabinet desingning' Die Casting, Tin-can making, Transistor manufacture.

Training in manufacture of products such as Footwear and Allied Goods, Thermometers, Scientific Glass Apparatus, Electric Motors, Tools, etc.. and in Fruit and Vegetable Preservetion is also imparted at the SISIs Extension Centres.

Mobile Workshops

The Mobile Workshops attached to various Small Industries Service Institutes visit areas of concentration of artisans for giving demonstration and for training purpose. Such training is imparted to the interested artisans in subjects like blacksmithy, carpentry, sheet metal, pottery, leather, glass blowing, general engineering, etc. During 1970-71 the

26 mobile workshops attached to SISIs Visited 439 Centres in rural areas conducting 6,998 demostrations and training 6,650 artisans.

Study-Cum-Observation Visits

As a part of the practical training, visit of the small industrialists and their workers are organised from time to time to large and small scale units to provide them an opportunity to study the modern techniques of production and management.

Small Industry Extension Training Institute, Hyderabad

SIET Institute offers a variety of training courses such as Area Development Course, Industrial Management Course, research projects and technical services.

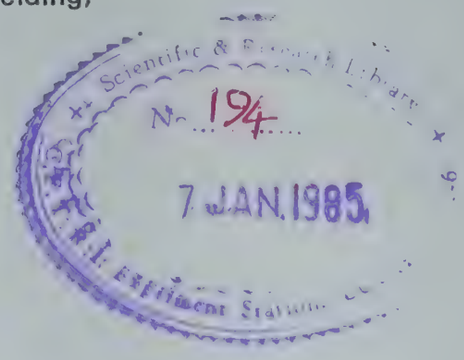
The Area Development Course is action-oriented and its objective is to equip SSIDO and State Officers with skills and knowledge of modern management and extension techniques for improving organisational and operational efficiency of small industrial units. The course is being expanded gradually to owners and managers of small enterprises and to management consultants. After an intensivie training of six weeks, the participants spend three weeks in making a diagnostic type of inplant study in selected small enterprises.

The area development course is intended to make the SSIDO and State Officers more effective in their administrative, regulatory and developmental functions and provide them with integrated knowledge and skills required for the purpose. Like the industrial management course, it is action-oriented, the participants being taken to a selected district for a period of three weeks for learning techniques of assessing industrial potential in terms of entrepreneurial talents, local resources. etc.

Prototype Production and Training Centres

The NSIC is running Prototype Production and Training Centres at Okhla (New Delhi), Rajkot and Howrah. Set up in collaboration with West German Government, U.S.A.I.D. and the Government of Japan respectively, these Centres aim at developing primarily prototypes of different machines for commercial exploitation by small scale manufacturers and for training of artisans working in small scale industries.

All the Centres have also provided training to large number of artisans drawn from small scale industries in the country in fields like carpentry, pattern making, ferrous and non-ferrous foundries, electroplating, heat treatment. material testing, sheet metal working, welding, tool room inspection and other machine shop facilities.



Prototype Development and Training Centres

8

The Prototype Development and Training Centres at Okhla, Rajkot and Howrah continue to perform the following important functions :

(i) Practical and theorotical training of skilled workers and technicians.

(ii) Development of Prototypes of such machines, implement and components as are suitable for production by small scale industrial units.

(iii) Training of entrepreneurs to make themselves selfrelient in running their own small scale industries.

The rewarding features of these Centres can be summarised as follows :

Over 6,000 trainess have already passed out from these Centres specialising in such industrial trades as machining, heat-treatment, electroplating, instrument making, laboratory testing, carpentry, forging, etc. The Corporation thus provides a regular flow of skilled workers to the community.

Nearly 50 prototypes of such machines and equipments as could be adopted for production in the small scale sector have been developed in these Centres.

Such machines as PVC Extruder, Die Casting machine, Wood Working machine, Milling machines, Lathes, etc. have been produced at these Centres.

Technical services and testing facilities have been provided on regular basis.

The important role which such Centres play in providing training, developing prototypes and providing technical services has been well recognised.

It has been envisaged that during the current plan period, six new Centres are to be set up.

The Corporation further envisages establishment of 8 new Centres during the Fifth Five Year Plan.

The emphasis in new Centres will be more on specialised industrial branches like electronics, leather and footwear, sports goods and toys, garage tools and equipment, Office equipment and business machines, food processing and apparel industry etc.

It is also envisaged that the existing Centres would be modernized with a view to updating the equipment and technological level.

Management Consultancy

9

The Small Scale Industry Development Organisation today operates country-wide Management Consultancy Services through the various Small Industries Service Institutes, with a view to promoting the growth and the competitive status of the small scale industries. Such services range from ad hoc advice on specific problems posed by the small industrialists to comprehensive plant studies, covering various aspects of finance, production and sales, by qualified technical staff in each field.

Started by SSIDO in a humble way during the Third Plan, the Management Consultancy Service in its initial stages aimed at providing information on various procedural matters like setting up of new units and expansion of existing ones, obtaining machinery on hire-purchase, participating in the Government Purchase Programme and advice on various labour and commercial laws. However, in the recent years considerable expansion and modernisation has taken place through the introduction of latest tools and techniques of plant studies for locating the weak areas and for providing solution to the problems as economically and as expeditiously as possible in a given managerial situation. Management Consultancy Service under the new pattern generally assumes two forms :

(i) Problem-Oriented Consultancy for solving the specific problem faced by the industrialists.

(ii) 'Integrated Plant Studies' which include consultancy work through more intensive and analytical study of finance, production and marketing problems in the plant situation.

Problem Oriented Consultancy

This category of consultancy work is relevant to a situation where the precise nature of the problem is fairly straightforward, and is known to the manager and accepted as such by the consultant. If, however, the consultant has any reason to disagree with the managers' understanding of the problems then he may carry out further investigation or even a plant study.

Consultancy in this first form is offered in the following two ways :

(i) Officers of the Organisation visit the unit and render on-the-spot advice on particular managerial problems relating to production, finance and sales.

(ii) The small Industrialists visit the Institutes for seeking advice on matters like setting up of a new unit, possibilities of expansion of existing units, commercial and labour laws, finance, specific financial or sales problems,. etc.

During the year 1970-71, the problem-oriented consultancy service was availed by 4,236 small industrialists.

Integrated Plant Studies

Consultancy work under this form is of more intensive nature calling for a complete plant study which is a time consuming process and is carried out in more complicated techno-managerial situations where the interplay of several variables make the situation far too complex for a straightforward analysis of the situation. Integrated plant studies were conducted in 38 units including 12 in mechanical engineering during 1970-71.

A particular small unit is selected for detailed analysis of its problems. A group of officers specialising in various aspects of management and engineering visit the units for a thorough analysis of all its problems, and undertake studies relating to production, finance, costing, marketings, etc. The efforts of the gourp are so coordinated that one aspect is not viewed in isolation from other aspects. The group plans and conducts detailed study of lay-out, various processess, product designs, plant maintenance, etc. It also studies the financial and marketing aspects of the units' management. After the study has been carried out a report embodying comprehensive analysis of all the areas studied by the team is prepared and presented to the management. It contains recommendations and suggestions for making the unit fully competitive. Follow-up action is initiated and thereafter the officers make their services available to the unit for implementation of these suggestions, if required.

Management consultancy work offered by the SSIDO is being increasingly appreciated by the small scale entrepreneurs. More and more entrepreneurs continue to approach the SISIs for seeking guidance and assistance on various management and technical problems. The inplant studies carried out by the SSIDO have also been very popular and there is continously increasing demand for this service. It is a healthy sign that decisions taken by entrepreneurs and Managers on the basis of advice rendered by the SISIs have resulted in tangible improvements such as increased output, cost reduction, improved quality standards, better environments for work and increased prospects for the firms and their employees. The SISI teams which conducted the inplant studies have also been substantially benefited in that they have been able to pinpoint key areas of management weakness and adjust the analysis and time taken for the same to suit the requirements of the enterprise.

Government Stores Purchase Programme

10

Government is the biggest buyer in this country as is the case with very many other countries. It has, therefore, been recognised that ensuring a fair share to small industry out of Government business will be one of the ways of promoting the growth of small industries. In order to achieve this, the National Small Industries Corporation Ltd. Corporation operates the Government Purchase Scheme.

Under this scheme, the Corporation function as a liaison agency between the small scale sector on the one hand and Government Purchasing agencies on the other. The technical and commercial competency of the units desirous of participating in Government Purchase Programme is verified by the Corporation and when satisfed, such units are enlisted as competent to execute Government contracts. The number of such enlisted units now exceed 20,000. The Corporation screens the indents received by DGS & D for various items. Tender forms are issued to the appropriate units free of cost. Another facility that is available to enlisted units is that on the basis of a competency certificate issued by the Corporation, the DGS & D and other Government Purchasing Agencies exempt the supplying units from payment of any earnest money or security deposit.

The Corporation in collaboration with the SSIDO identifies lines of manufacture in which the small industry has acquired a good deal of proficiency and persuade the Government to get such items reserved for exclusive purchase from small scale sector. items thus reserved now total 192.

The Corporation also helps small scale units in getting the facility of price preference scheme implemented by the Government.

Starting from 62 lakhs in 1957-58, the value of contracts secured by small scale units from DGS&D with the assistance of the Corporation has been increasing from year to year and touched the high mark of Rs 55 crores in the year 1971-72. The total number of contracts secured by small industries from the inception of the scheme from DGS&D alone exceeds 31,000 for a total value of over Rs. 267 crores.

The Corporation also helps small industries in securing contracts from other Government Departments such as Railways, Posts & Telegraphs, Defence, etc.

The Corporation also periodically brings out a Store-wise Directory. The Directory consists of names of enlisted units arranged store-wise and State-wise. The Directoy helps buyers in locating sources of supply all over the country.

Marketing of Small Industry Products

11

The National Small Industries Corporation Ltd. (N.S.I.C.) under its Marketing scheme, envisages not only larger markets for the products of the small scale sector but also ensures availability of certain scarce indigenous as well as imported raw materials and establish quality control consciousness. The Corporation had adopted a multi pronged attack in this direction.

It was conceived to familiarise people with the products of small scale industries through mobile vans located in various parts of the country.

The Corporation took up for the first time export of the products of small scale industries on institutional basis. The first success was achieved when the Corporation obtained orders for supply of foot-wear worth over Rs. 429 lakhs to the sophisticated markets of Europe.

The Corporation has been continuously exploring foreign markets and has obtained success in the export of engineering products to West Germany, United States of America, etc.

The Corporation endeavours to improve the quality and productivity in the small scale sector by arranging regular supplies of certain scarce raw materials and components.

The Corporation participates in national and international exhibitions and arranges display of small scale industry products.

Realising the importance of the role of export from small industry in the economy of the country, the Corporation has recently set up an Export Department for the promotion of export of small industry products, especially light engineering goods. Within a brief span of a couple of years, the Export Department has been able to book sizeable orders. There is vast scope in expanding the activities of this particular Department. The export of non-traditional products calls for a good deal of developmental work and consequently a good deal of promotional expenditure is incurred by the Corporation on behalf of the small units.

The Corporation establishes sales and distribution Depots and thus engages itself in retail marketing of the products of small scale industries.

The Corporation has ambitious plans to ensure larger markets, both within and outside the country for the products of small scale sector during the Fifth Five Year Plan. The following are the main proposals :

To establish Raw Material Banks for the small scale Industries throughout the country. The idea would not be profit-making but rational distribution of essential raw materials.

To carry out market research on regular basis and explore new markets within and outside the country.

To establish sales centres throughout the country.

To establish display centres at some selected centres in foreign countries.

Industrialisation of Rural and Backward Areas

12

The dispersal of industrial activity in semi-urban and rural areas being a major objective of policy for industrial development, a number of programmes have been evolved for diversifying and strengthening the rural economic structure by creation of substantial non-farm employment through intensive development of modern small scale industries.

Rural Industries Programme

SSIDO has been playing a very vital role in industrialising the rural areas. Under its programme of rural industries projects 49 areas covering 34,073 villages were selected for intensive industrialisation. During 1971-72 5 new projects have been sanctioned under the R.I.P. Programme and another 50 projects are likely to be taken up during the course of 5th Five Year Plan.

The SSIDO functions as a technical consultant to Rural Industries Projects. In all matters of technical assistance required by the new as well as the existing entrepreneurs in such areas, the SISIs have been rendering necessary assistance. Such assistance is being rendered in rural areas by way of (i) intensive examination of different problems of the RIP areas and their enterprises ; (ii) technical scrutiny of the methods of production with a view to introducing suitable machinery and equipment ; (iii) training the artisans in higher levels of technology available in different trades ; (iv) supply of technical information and economic data and (v) establishing common facility services. In several cases, the SSIDO has conducted techno-economic surveys of rural areas in order to draw up schemes suitable for enterprises to be located in those areas. The schemes supplied by the SISIs for the benefit of rural industrialists have been on many diverse trades such as wood working, builders' hardwares, agricultural implements, agro-based industries, manufacture of plastic items, etc.

Till March '71, 13,877 small scale units started functioning in the R.I.P. areas. Such units produced goods worth Rs. 26.41 crores and provided employment to about 1,33,300 persons. The growth in employment during 1970-71 has been of the order of 14.6 per cent over the preceding year. The total investment in the industries covered under the R.I.P. Programme increased at the rate of 11.3 per cent from Rs. 16.68 crores in 1969 to Rs. 18.79 crores in 1970-71. Till the end of 1970-71 about 30,000 small scale units were financed from the project's Nucleus Fund. The State Bank of India under their normal financing scheme

assisted 7,114 small scale units by providing them credit totalling Rs. 4.75 crores up to 31st March '71. The SSIDO made special allocations of certain scarce and controlled varieties of industrial raw-materials to units situated in the R.I.P. Areas.

The SSIDO has also provided facilities to many rural artisans through its Training Centres as well as Extension Centres. Training facilities have been offered in a variety of trades such as wool and silk weaving, carpet making, blacksmithy, carpentry, die making, leather crafts, etc. The duration of the traning varies from a few weeks to a year depending upon the trade for which the artisans are trained. The Mobile Demonstration Vans have been visiting different rural areas to enable the rural artisans to acquaint themselves with the use of improved variety of machinery, to arouse interest amongst artisans to obtain better types of machinery and to acquire higher technological knowledge to help in improving their productivity.

Intensive Campaigns

With a view to establishing a decentralised society by the dispersal of small scale industries in underdeveloped, backward and rural areas, the SISIs and the NSIC have been conducting Intensive Compaigns from time to time. The programme of Intensive Campaigns aims at educating potential entrepreneurs in industrially-backward areas about the industrial benefits which are possible by setting up small scale industrial units and to acquaint them with various kinds of assistance and facilities available to the small scale units from the Central and the State Governments as well as from institutions constituted for this purpose.

As per Intensive Campaign Programme, all the agencies of developmental Departments visit the entrepreneur at his doorsteps. This itself is a normal method away from the regular methods. Before a campaign is launched in a particular area, a quick survey regarding the potentialities of a developing small scale industry in that area is conducted. Wide publicity is given to the findings of the survey. A group of technical officers then visits the area and through lectures, demonstrations, visual displays and discussions create a desire in the local entrepreneurs to set up small scale industries. The technical officers of the SISI's provide on-the-spot technical information and specialised advice and help the entrepreneurs to make up their minds about setting up of industries. The staff of the NSIC processes the hire-purchase applications of the prospective entrepreneurs on-the-spot.

Facilities in Backward Areas

To tackle the problem of backwardness on a rational and comprehensive basis the Government of India have recently announced a number of special concessions which would facilitate growth of industries in the 225 districts including seven Union Territories declared as backward by the Planning Commission. These account for over 63 per cent of the land

area and 58 per cent of the total population of the country for the purpose of concessional finance offered by National Financial Institutions. Out of these 225 districts, 44 districts including Union Territories have also been declared backward so as to qualify for nine special concessions offered to existing and prospective industrialists by the Union Government. Industries to be set up in these districts can benefit from the 10 per cent Central outright grant or subsidy scheme, the liberal Import Policy and preferential treatment from National Small Industries Corporation for Hire-Purchase of Machinery announced by Central Government in addition to transport subsidy scheme and concessional finance offered by financial institutions.

Central Subsidy

The Scheme for 10 per cent central subsidy or outright grant came into force from 26th August, 1971 and would remain in force for the remaining period of Fourth Five Year Plan. Under this scheme new units having a fixed capital investment of less than Rs. 50 lakhs can get an outright grant or subsidy to the extent of 10 per cent of their fixed capital investment from the Union Government. In case of units having fixed capital investment of more than Rs. 50 lakhs. the subsidy will be provided on merit in each individual case at the discretion of the Central or State Government concerned. Existing units with fixed capital investment of Rs. 50 lakhs and who intend to undertake substantial expansion or diversification are also eligible to avail of this subsidy. For the payment of this subsidy the Union Government has allocated Rs. 5 crores during the Fourth Plan.

Liberal Import Policy

Import Trade Control Policy for the year 1972-73 also provides that applications for import of machinery, raw materials and components will be considered on liberal basis from Industrial Units in the small scale sector to be set up in selected 44 backward districts/areas. Application for import of machinery from engineering graduates and ex-service-personnel, who intend to set up small scale industries in the selected areas, will also be considered on a liberal basis.

The procedure for import of raw materials, components and spares in backward areas for the 1972-73 is given below :—

(a) Units engaged in priority industries can apply for their import requirements on the basis of assessment of single shift capacity. Applications for import of licences should be made by the unit to the Regional Licensing Authority concerned through the sponsoring authority in the prescribed proforma.

(b) Units engaged in non-priority industries can apply for their import requirements through the sponsoring authorities subject to a maximum value of Rs. 1 lakh for the end-products to be manufactured by the units for the year April 1972-73. This

facility will be available only in respect of industries reserved exclusively for small scale sector.

(c) The modes of financing will be liberal and more of free foreign exchange will be provided.

(d) Only those items will be allowed for import as are permissible to actual users under the current import policy in force.

The licensing and the sponsoring authorities will give preference and priority to applications from the units located in announced 44 backward districts. The current liberalised import policy is applicable only to small scale units whereas 10 per cent subsidy scheme applies to all sizes of units.

In addition to above it has been decided that applications for hire-purchase of machinery ; both indigenous and imported, from the backward districts selected to qualify for 10 per cent subsidy shall be treated on a priority basis by the National Small Industries Corporation.

Transport Subsidy

Another part of the incentive policy of the Central Government consists of the decision to give tranaport subsidy for industries to be started in selected States and Union Territories. This scheme is applicable to industries located in the States of Jammu & Kashmir, Assam, Meghalaya, Nagaland, Tripura, Manipur and the Union Territories of Arunachal Pradesh (formerly NEFA) and Mizoram. This scheme came into force with effect from 15th July '71 and will operate for a period of five years. Under this scheme transport subsidy equivalent to 50 per cent of the transport cost of both raw materials and finished goods for all new industrial units to be set up in the selected above-mentioned States and Union Territories. The subsidy will also be given for expansion or diversification/expansion leading to an increase in the production of the unit atleast by 25 per cent over the average annual output during the preceding three years. In this case the subsidy will be payable upto 50 per cent of the transport cost of additional raw material required and the finished goods produced. Transport subsidy will be given only in respect of raw materials which are brought into selected areas and finished goods which are taken out of such areas. For the internal movement of raw materials and finished goods subsidy will not be paid.

Liberal Finance

The National Financial Institutions have also shown considerable interest in the industrial development of the backward areas in the country and schemes of liberal finance in selected backward districts have been brought out by IGCI, IDBI and ICICI. The Planning Commission in consultation with State Government and Union Territories have selected 225 districts including Union Territories in the country as backward for the purpose of concessional finance from financial institutions.

The concessional loans offered by these financial institutions are confined to the Rupee operations and to the Projects with a total investment cost of more than Rs. 1 crore. Financial assistance from IFCI is available only to public limited companies incorporated in India or registered cooperative societies, whereas the concessional finance from ICICI is available to companies including private limited companies.

Briefly the concessional terms on which loans will be provided include :—

(1) Lower rate of interest at 7 per cent per annum as against the normal rate of $8\frac{1}{2}$ per cent.

(2) Moratorium for the first repayment of principal has been extended from three years to five years in backward areas.

(3) Period allowed for repayment has been extended from normal 10 to 12 years to 15 to 20 years.

In addition to the above, margin for security would be reduced from 30 per cent to 35 per cent in case of IFCI and ICICI. Reduction is also made in the under-writing commission charges and consultation charges etc. IDBI may also contribute toward the cost ot consultacy service to prepare feasibility reports for the entrepreneurs. Depending on the merit of cases these institutions may also subscribe to the risk capital of projects in the backward areas. As compared to IFCI and ICICI, the concessions announced by IDBI are more useful to small scale and medium industries since these also provide considerable refinancing facilities to medium and small scale industries through State Industries Corporation and commercial Banks. IDBI has reduced its rate of interest for refinancing from $4\frac{1}{2}$ per cent to $3\frac{1}{2}$ per cent per annum in case of financial institutions and banks who would grant loans to small scale and medium scale units in selected backward areas at the rate of 7 per cent per annum. As against the current rate of $8\frac{1}{2}$ per cent Industrial Re-construction Corporation of India offers loans at a concessional rate of 7 per cent for reconstructing/modernising industries in notified backward districts.

With the provision of the various incentives and facilities since announced by the Government as well as the various financial institutions and the priority accorded to the development of the backward areas in various programmes of development, quite a large number of small scale industries, particularly those based on the local raw materials and skills, would soon come up in the backward areas.

Industrial Estates

13

The Industrial Estates Programme in India is the biggest of its kind launched by any developing country in the world. The history of the Industrial Estates in India can be traced back to 1947 when the proposal was first mooted to start an industrial estate in Bombay. During the First Five Year Plan (1951-56) the necessity of establishing industrial estates in India for promoting planned growth of small scale industries was clearly recognised. The programme received fresh impetus from the Industrial Estates Programme in the United Kingdom and in the Industrial Policy Resolution of 1956, a good deal of emphasis was put on the provision of suitable workshop accommodation at reasonable rates including certain common facilities, to small scale industrialists to remove a serious and chronic drawback of the small scale sector.

Principal Objectives

The principal objectives of the programme, varying to some degree with time and place, have been :—

(i) to encourage the growth of small scale industries ;

(ii) to shift small scale industries from congested areas to estate premises with a view to increasing their productivity ;

(iii) to achieve decentralised industrial development in small towns and large villages and

(iv) to encourage the growth of ancillary industries in the townships, surrounding major industrial undertakings, both in the public and private sectors.

The aforesaid objectives were proposed to be achieved through the instrument of Industrial Estates on account of their promotional features. These are :—

(i) to provide well-planned accommodation to small scale industries at suitable sites, with facilities of water, electricity, transport, banks, canteens, watch and ward, good approach roads, etc.

(ii) to bring a number of units together and thereby facilitate the establishment of Common Facility Centres, introduction of modern techniques, and sale of finished goods, joint publicity, etc.—in brief to enable the small enterprises to avail of

external economies, thereby counteracting to some extent the disadvantages flowing from their 'smallness'

Three Types of Estates

The Industrial Estates in India have been classified under three categories:

(a) **Urban Estates** : Those located in cities, large towns or vicinity thereof.

(b) **Semi-urban Estates** : Those located in small towns having a population of 5,000 to 50,000.

(c) **Rural Industrial Estates** : Those located in villages with a population of less than 5,000.

Out of the 505 Industrial Estates sponsored, 404 have been constructed and 303 have actually started functioning with 5,413 factories. Out of 303 Industrial Estates now functioning, 141 are located in urban areas, 96 in semi-urban areas and 66 in rural areas. The urban estates such as Okhla (Delhi), Guindy (Madras) and Sanatnagar (Hyderabad) have proved to be a very great success. Most of the semi-urban estates, which are properly located, are also working well.

Rural Industrial Estates have been set up as a deliberate policy of the Government for dispersal of industries in rural and backward areas. Rural areas generally do not produce entrepreneurs to start industries and many of them initially have to come from towns and cities. Rural Industrial estates were to be located in selected large villages where power, water supply, transport and other essential facilities were either available or could be provided and where sufficient number of artisans and craftsmen were available to make use of modern techniques, better tools and relatively modern facilities.

Norms for Layout

While sponsoring an estate, emphasis is laid on the most economical and efficient utilisation of land. To achieve maximum space economy and to reduce the rent to be paid by entrepreneurs hiring factory sheds, care is taken to bring as large a portion of the area as possible under factory plots. To ensure this objective, the following norms have been adopted out of several years of working :

Area under factory plot.....60 to 65%

Area under roads up to.....20%

Area under open space up to.....10%

Area under Administrative and other buildings.....5 to 10%.

There can be no rigidity in observance of these norms, as variations have to be made to suit the needs of particular sites and localities.

Planning of Factory Sheds

Considerations of economy have to be kept in view, while planning for individual factory sheds. Constructions of a large number of different

sizes of sheds have been discouraged and standard spaces which ordinarily meet functional requirements of small industries, are adopted for factory sheds. The adoption of standard space lends itself to the use of standard design for trusses, which in turn reduces the cost while increasing the speed of construction.

Facilities and Incentives

The primary facility which an industrial estate affords to small scale units is suitably planned factory accommodation in healthy environments with water, electricity and roads, and conforming to the rules and regulations prescribed under the Factory Act. Besides, common service facilities such as tool rooms, forging shops, foundries, electroplating units, heat treatment plants, etc., are also provided in many estates. Wherever necessary, the Government will establish their own common facility service workshops. Facilities like railway sidings, bank, Post and Telegraph Office, Telephones, show rooms for finished products etc. are provided in most of the estates. Credit facilities from Government and credit institutions and supply of machinery on hire-purchase basis are available to all small scale industries and the units in estates often get special attention for utilising such assistances. As a special measure of assistance to small industrialists occupying factory sheds in industrial estates on rental basis, provision has been made for giving concessions on rents upto five years, particularly in case of estates located in rural and backward areas. Concessions are also granted to industrial units in the estate by way of exemption of taxes.

Progress

Initially the main emphasis of the programme was on the provision of suitable factory accommodation and other working conditions conducive to efficiency. As the implementation of the schemes progressed and it was possible to evaluate the impact and effectiveness of the programme as a tool of the development of small scale industries, the emphasis shifted from small industry development in general to small industry in relatively under-developed areas, particularly semi-urban and rural areas. It will not be out of place to mention that under the above programme Rs. 420.00 million has already been spent by the Government during the last 14 years on the construction of industrial estates in various parts of the country. It has promoted an annual production worth Rs. 980 million, employing directly about 96,000 persons.

The current emphasis is on consolidation rather than expansion. No new industrial estates of the general purpose type are proposed to be started in the Fourth Plan period, unless a techno-economic survey is conducted and there is an effective demand for the same from small industrialists—existing and prospective. It is, however, proposed to provide developed plots in industrial areas with necessary facilities in cities and big towns so that intending small scale industrialists can erect their own factory sheds on their plot of land. There is, however, no restriction about the setting up of functional industrial estates, including ancillary estates in different States, as it is felt that such industrial estates

will have an assured impact on the development of small scale industries in integration with large scale industries or other small scale industries. Whatever the type of industrial estates, it has been found that the undertaking of the programme should be preceded by careful, planning and feasibility studies, so that the actual location of industrial estates can be decided with due regard to all the key locational factors which contribute to the success of the programme.

Export Promotion

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A number of policy measures have been adopted and a network of institutions established to assist small scale units in export productions and marketing.

On production side, the Import Policy for the year 1972-73 provides certain concessions in the allotment of imported raw materials to small scale units for export production. Besides, the Industrial Raw Materials Assistance Centre (IRMAC) of the State Trading Corporation is to supply imported raw materials to the actual users and registered exporters in an 'off-the-shelf' form. This centre is expected to be of considerable assistance to the small exporting units compared to the large ones. Further, the small scale units have now been entitled to an anitial licence for raw materials and components up to the value of Rs. 25,000 as against Rs.15,000 earlier. In case any one of these units already exists, it can continue to have this facility to claim import licences as a new unit if it finds it to its greater advantage. The small units are, moreover, exempted from certain procedural formalities in applying for an import licence. The MMTC charges lower prices for imported non-ferrous metals supplied by them to Exporting units.

The Industrial Development Bank of India and the State Bank of India and its subsidiaries, besides other commercial banks, provide finance for export on different terms and conditions. The Industrial Development Bank of India has introduced a scheme for direct financial assistance to the exporters in general in participation with the approved commercial banks. Its scheme provides credit for export during the pre-shipment and post-shipment stages for the period of six months and on the basis of export performance and financial guarantees issued by the Export Credit and Guarantee Corporation on behalf of the exporters. The State Bank of India and its subsidiaries (i) provide post-shipment finance by negotiating bills either under letters of credit or under the deferred payment guarantees, (ii) supply machinery to them for the manufacture of export goods and (iii) give the performance guarantees needed by Government authoritities for issue of import licences for raw materials.

They can as well have unsecured advances against the collateral security and/or third party guarantee, if available.

The small industry exporters can obtain export finance from the STC under its EASI scheme on concessional terms. They can have such loans for a period of six months for purchase of raw materials to manufacture

export goods and meet other expenditure like packing, etc., on the basis of a valid contract of sale with overseas buyers to the maximum extent of 90 per cent of the contract value. They are generally supposed to apply to the STC for loans not less than Rs. 10,000 in amount. They have to satisfy certain conditions laid down by the STC, including furnishing of packing credit guarantee policy from the ECGC. They are required to pay interest @ 1 per cent less than the bank rate with quarterly rests. They are supposed to allow the STC officials to inspect the stock-in-trade at any time in order to ensure proper utilisation of the loans amount. They can also obtain post-shipment loans from the STC under this scheme. They can have 95 per cent of the invoice value and the 5 per cent balance after the overseas buyers have paid for the export goods.

In addition to production facilities of imported raw materials, components, machinery and finance etc. the SSIDO, renders various services to the exporting small scale units for manufacture of export-worthy products in respect of product designing, product quality, packaging and other allied services. Its Industrial Design Cell provides assistance to the small scale units manufacturing electrical appliances, utensils, furniture and other utility articles. The experts working in this cell assist the present and prospective small exporters right from the stage of preparation of blueprints to that of manufacturing the final products. A number of products designed by them like thermos flask, tiffin carrier and certain varieties of wooden furniture have been produced on commercial scale and found ready export markets. In addition, the Electrical Measuring Instruments Design Centre has been set up recently in Bombay by the SSIDO with aid from the U.N. This Centre assists and guides small manufacturers in producing different varieties of electrical measuring instruments, both for domestic and export markets. The U.N. Tool room Centre at Hyderabad, which also works under the auspices of the SSIDO, has started rendering similar services to the concerned small scale units.

At the State level, there are quality marking centres operated by the State Governments to provide valuable services to small manufacturers in the specified product lines in respect of testing facilities and quality assessment at nominal prices, certificates issued by these centres are accepted by appropriate authorities for the purpose of pre-shipment inspection of goods for export.

The officers of the SISIs, the Branch Institutes and Extension Centres of the SSIDO render technical assistance and help to small scale units in producing goods for export by way of suggesting more useful technical processes, better plant lay-out, saving of materials, more dependable testing apparatus etc. with a view to achieving cost economies and quality improvement. Their assistance has proved of considerable value to a number of small scale units in improving the quality of their export products and enabled them to contribute to export earnings of the country.

The Indian Institute of Foreign Trade (IIFT) organises training courses in export marketing on regular and ad hoc basis for benefit of all the exporters (manufacturers and merchants). It sometimes organises such courses for small industry exporters alone. The SSIDO conducts export training courses for small scale industrialists exclusively and also renders to them consultancy services in the field of export business. The officers explain and assist such exporters in understanding the principles and practices of export marketing and help in export pricing, presentation, preparation of catalogues, etc. In performance of its consultancy services, the SSIDO undertakes indentification of the prospective export products and export markets. It also maintains liaison with the departments administering the export assistance and thereby helps development of a co-ordinated effort in the direction.

The STC under its EASI Scheme undertakes to assist the small and medium manufacturers in their export business by locating foreign customers for their products, preparing presentation material, examining and despatching of samples to foreign buyers, preparing export documents, obtaining import licences, drawback certificates and in arranging for export credit and cover against export risks and arranging training to small industry exporters. The STC has recently allocated the marketing functions of the EASI Schemes to its respective Commodity Divisions with a view to making available to small industry exporters the specialised marketing services of these divisions. Other functions and services continue to be rendered by the STC under the scheme. Its services are confined to the selected range of commodities belonging mostly to the consumer goods and semi-durable goods manufactured in the small scale sector. It thus, provides the services of an expert with the additional advantage that it passes on the gains of export trade to the small manufacturers themselves.

The State Directorates of Industries also look after export promotion work in small industry sector on the State level. Some of these Directorates have set up separate export promotion cells for the purpose. Assistance provided by these Directorates to the small scale units competent to manufacture export-worthy products in the industrial estates in particular is substantial. At the State level are also the State Export Corporations in certain cases and the export wings of Small Industries Development Corporations in some other cases. These Corporations/ Wings undertake promotional activities including arranging and co-ordinating facilities for export production and marketing, for small industry products in their respective areas. Some of them have set up display windows and adopted various publicity measures in different foreign countries with the assistance received from the State Governments. Some among them also undertake foreign market research/surveys, arrange visits by industrialists to the foreign markets for creating a favourable

image of their expot products and also for canvassing business for the same.

The Ministry of Foreign Trade renders a number of services to exporters in the field of export publicity and exhibitions. Besides, there is an Indian Council of International Trade Fairs and Exhibitions, which is an autonomous body sponsored by the Government of India for encouraging and facilitating the participation of exporters in the selected trade fairs and exhibitions held in different parts of the world. The agencies helping small industry exporters exclusively in this direction include the SSIDO, the STC and NSIC. The SSIDO helps small industry exporters of certified competence in exhibiting their products in international trade fairs and exhibitions. It generally sets up a separate pavilion or a section of the Indian pavilion in such fairs and exhibitions for display of small industry products. It obtains samples of such products for the purpose and defrays a part of the expenses involved in transportation of their sample products to and from the place of exhibition. The selected small industry exporters also obtain certain financial assistance from the Government for the purpose. STC also arranges exhibition of the selected products manfactured by its business associates in international trade fairs and exhibitions. The NSIC has recently taken upon itsself the task of organising small industry products expected to cater the demand of foreign buyers. The new Trade Development Authority renders export counselling and 'package' assistance to the exporters in the small scale sector also.

The SSIDO in its programme of work for the Fourth Five Year Plan provides for a selective approach to boost up small industry exports. It plans to concentrate on such specific industries which have got export potential and which can develop an edge over their competitors in the international market. It has tentatively selected about 20 industries for the purpose, including machine tools, automobile ancillaries, domestic electrical appliances, cutlery, electric fans, radios and transistors, rubber moulded goods, leather fotwear, etc. The Small Industries Service Institutes at Calcutta, Bombay, Madras and Delhi undertake pre-shipment inspection of exportable products.

Ancillary Industries

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In India, the need to develop small scale units as ancillaries was recognised in the 'fifties' when a positive programme for the development of small scale industries was drawn up. Significant efforts in this direction, however, commenced only after the constitution of a Standing Committee on Ancillaries by the Small Scale Industries Board in April 1960. The fixed capital ceiling in the case of ancillary units was also raised from Rs. 0.75 million to Rs. 1 million in view of the higher fixed capital requirements of such units which were required to supply precision components to large scale units in bulk quantities.

Facilities Redered

Although it is a general policy of the SSIDO to render all possible assistance and help to all such units which want to function as ancillaries to large undertakings. Due to limited availability of necessary technical and other facilities, a list of eight industries was originally drawn up by the Organisation to make intensive efforts for development for ancillaries, The list now consists of the following sixteen industrial groups :—

1. Industrial Machinery.
2. Agricultural and Earth Moving Machinery.
3. Machine Tools.
4. Industrial, Scientific and Mathematical Instruments (Mechanical).
5. Locomotives and Rolling Stocks, Ships and Aircrafts.
6. Bicycles.
7. Boilers and Steam-generating Plants.
8. Steam Engines, Turbine and Internal Combustion Engines.
9. Automobiles.
10. Commercial, Office and House hold Equipments.
11. Electrical Machinery, equipment and Appliances.
12. Tele-communication Equipment.
13. Industrial Instruments (Electrical).
14. Radios and Electronic Equipments.

15. Air-conditioners and Cold Storage Equipment including Refrigerators.

16. The facilities which have been extended to the small scale anciliary units are :—

(a) Technical assistance by the Small Industries Service Institute.

(b) Supply of machinery under the hire purchase scheme of the National Small Industries Corporation.

(c) Allotment of factory sheds in Industrial Estates.

In addition to the above, the following facilities are also available to the small scale ancillary units having a capital investment upto Rs. 0.75 million only, like any other small scale units :—

(a) Enlistment under Central Government Purchase Programme ; exemption from payment of security deposit ; 15 per cent preference over large undertaking for tenders invited by the Director-General of Supplies and Disposals.

(b) Eligibility for allotment of steel, import quota, etc.. from small scale industries quo ta of the States ;

(c) Credit facilities from the State Bank of India and other sources.

A special drive has been launched to enlist the co-operation of the public sector industrial undertakings in encouraging small scale ancillary units to cater to their needs. Large scale enterprises in private sector have also been requested to farm out their requirements of parts and components which can be procured from the small scale enterprises. Officers of the SSIDO make frequent visits to large scale undertakings with a view to exploring the posibilities of ancillary development. Happily, this liaison work has borne good fruit in a number of cases in bringing together large scale units and small scale units. They have been successful in persuading many of the public sector undertakings to appoint their own ancillary development officers.

The SSIDO has since undertaken a number of special studies to ascertain the scope of development of ancillaries in different States. These surveys provide a valuable fund of useful information pertaining to the existing ancillaries, their problems and the measures that will be taken for developing new ancillary units. Efforts have also been made to develop ancillary industries in close collaboration with the National Small Industries Corporation and the Directorate General of Supplies and Disposals particularly for supply of defence stores. This new development has become a significant measure in promoting small scale industries and has helped considerably in broadening the operational base of the small scale sector.

Sub-Contracting Exchanges

To meet the requirements of both the large manufacturers looking for the sub-contractors and of the small scale industries for securing orders from larger industries Sub-Contracting Exchanges have been set up at Madras and Bombay. This has added new dimension to the programme of ancillary development for Small Scale Industries.

National Small Industries Corporation Ltd. in Perspective

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The activities of this Corporation have paid rich dividends in terms of over-all growth of the small scale sector. The Cprporation takes pride in having given a shape to this sector, by introducing modern techniques of production, management and marketing leading to diversification and sophistication of the end-produts. By concerted efforts, a measure of dispersal of industries in backward areas has been achieved. The small scale units assisted by the Corporation, not only contribute to import substitution but have halso taken up export of their end-products. They provide to the community a vast number of consumer items and also produce light machinery and equipment for further use in the industrial sector. They make handsome contribution to the creation of job opportunities and to the over-all economic growth in the country. Much has already been attained. Much more, however, remains to be done.

During the last decade and a half, the Corporation has acquired rich experience and expertise in operating schemes for the development of small scale industries. The Corporation has plans to play more significant role during the years to come. The following are the important features :

Development of entrepreneurship on a large scale all over the country.

Participation in the Rural Industries Programme, thus contributing to the development of industrially backward areas.

Participation in the modernisation of existing small scale units by supplying them latest machinery.

Establishment of turn-key projects in selected areas for onward hand-over to small scale entrepreneurs.

Establishment of display centres for the products of small scale industries both within and outside the country.

Marketing of their products and establishment of sales depots.

Distribution of essential raw materials and components on a larger scales.

Increasing exports by locating potential areas and finding markets for new products.

Establishment of new Prototype Development and Training Centres all over the country.

Training of a larger number of people in these Centres both in general and specialised industrial trades.

Development of production methods, designs and prototypes for adoption in the small scale sector.

Increasing participation of small scale units in the purchase programme of Central Government, Railways, Posts & Telegraphs, State Governments, Public Sector Enterprises, etc.

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